



CLEAN WATER ACTION

CONNECTICUT

**Testimony of Roger Smith, Energy Program Director
Clean Water Action
Energy and Technology Committee March 15, 2012**

Testimony regarding Senate Bill 415

Clean Water Action is a national environmental non-profit dedicated to protecting human health with 15,000 Connecticut members. We have worked on energy-related issues in Connecticut since 1998. Below are our comments on this bill in order by section.

Section 26: Clean Energy Finance and Investment Authority

(F) (3) (e) redefines the board to remove qualifications each board members is supposed to have. We question the rationale for this change and whether the board will be able to broadly represent the interests of the public.

The current board is heavily weighted towards finance experts and the mission of the Fund is narrowing to focus on creating energy-related financial products, which is not the only strategy needed to bring renewable energy to scale.

Section 48: Virtual Net Metering

Clean Water Action supports Virtual Net Metering policies to make renewable energy projects feasible for more municipal and governmental entities. The language as passed in Public Act 11-80 was unworkable for several reasons. This bill addresses one of the issues, that the systems must be owned by a municipal host, adding that systems can be "leased." In addition to leased, it is important to add language like "entered into a power purchase agreement with" as legally power purchase agreements are distinct from leases and they are how most public entities are installing renewables.

Finally, without an increase in the \$1 million per year cap this program will not benefit more than a few entities.

Section 51: Home Energy Solutions caps

We ask the legislature to remove the \$500,000 cap which limits oil customer participation in Home Energy Solutions. As it currently stands the Home Energy Solutions program will run out of oil funding and stop accepting oil customers this month in UI territory and in May for CL&P territory, which will be an utter disaster for oil customers as oil increases past \$4 per gallon. We have preliminary customer data which estimates \$350 in annual savings for oil customers who take part in the HES program (9% of their total energy bills) and a 25% total energy reduction if they follow through and use insulation incentives.

We urge the legislature to provide equal access to energy conservation programs by creating a sustainable funding source for oil conservation (~\$17.5 million per year) through a wholesale charge on heating oil. Even if this were enacted tomorrow there would still be a lag before collections would come in, so lifting this cap is critical to ensure continued access to conservation programs by customers as well as maintaining jobs for contractors in the HES program and beyond.

Section 56: Property Assessed Clean Energy

This section is perhaps the most far-reaching in the bill. To reach customers who need financing help, Connecticut needs to have a portfolio of financing options. Property Assessed Clean Energy (PACE) is critical as it can help finance deeper upgrades over longer periods of time (up to 20 years), and has a secure repayment mechanism (municipal assessment with priority status) which drives low-interest investment. Few people make 20 year commitments to live in one house and a customer can transfer the PACE loan with the property. It is also flexible and can fund renewable energy systems, electricity conservation measures and heating fuel conservation upgrades.

Connecticut cannot realistically run 169 different PACE programs, so it will be important to create a statewide structure that municipalities can opt to join. CEFIA should be explicitly charged with the administration of a statewide PACE program and bring scale to the customer application process as well as the process of interesting investors in Connecticut PACE bonds.

With a few fixes, Clean Water Action supports the commercial language in this bill. The commercial sector tremendous opportunity to increase its efficiency in CT, and with the passage of this bill Connecticut can join states across the country moving forward with commercial PACE programs.

Some of the bill language would more appropriately be determined at the program design stage by CEFIA, rather than locking Connecticut into one program design by statute.

1. We ask for the deletion of section (h) lines 3031-3032 (prepayment penalty) as overly prescriptive.
2. We ask for the deletion of sub section (f) 3 regarding "total amount of any benefit assessment may not exceed twenty per cent of the fair market value of the qualified real property." 20% may not be the right amount today or the right amount at some future time, so this requirement should be left to program design.
3. Residential PACE also needs to be fixed. A municipal benefit assessment should always be a priority lien on a property as it is done for a clear public benefit. Language in Public Act 11-80 which subordinated the lien to existing mortgage holders should be removed so as not to undermine more than a century of precedent regarding municipal benefit assessments. The federal government (FHA) is currently in a rulemaking regarding the acceptability of PACE with government-backed mortgages, and CT needs to fix its legislative language to be ready for a residential PACE program if federal problems are resolved. Without priority status there is no reason why investors will lend at lower interest rates, and such a crippled residential PACE program will not be not viable.

Sections 58-60 Water Conservation

Clean Water Action strongly supports water conservation as it has many public benefits, including delaying the need for expensive and disruptive sewage, stormwater and water supply system upgrades. We strongly support rate design which incentivizes conservation (such as block pricing), and support removing the utility incentive to sell more water through a true-up mechanism which forces them to return excess profits if they sell more water than anticipated and make them whole if water usage declines.

We ask that the language to be clarified to require that water utilities coordinate their program delivery with the CT Energy Efficiency Fund. Programs like Home Energy Solutions already serve approximately 40,000 households per year, and water conservation measures and incentives could be provided at a marginal incremental cost. We suggest there be a board created (or directed if it exists) to ensure that water efficiency options are consistent across different service territories and to provide a point of coordination with the CT Energy Efficiency Fund's board and programs.

Thank you for your consideration,
Roger Smith
New England Energy Program Director, Clean Water Action